

FY 02-03 COMPREHENSIVE ANNUAL FINANCIAL REPORT

- ❖ *CAFR presents the City's financial position and results of operations for the **fiscal year ended June 30, 2003**, including all funds and component units of the City.*
- ❖ *It has been submitted to the Government Finance Officers Association to be judged on its conformance to the national standards of the Certificate of Achievement for Excellence in Financial Reporting Program. We have received the GFOA certificate for **28** consecutive years.*

FY 02-03 FINANCIAL REVIEW

GENERAL FUND & DEBT SERVICE FUND SUMMARY

General Fund

❖ **REVENUES AND OTHER FINANCING SOURCES**

- *Property & Sales tax of \$129.6 million comprised 71.7% of General Fund revenue compared to \$122.7 million and 71.5% in FY 01-02*
- *Property tax of \$98.2 million was less than budget by \$2.2 million as a result of the City's lowest percentage increase in assessed valuation in 30 years, at 0.46% in FY 02-03; average percentage increase in previous 5 yrs. was 4.30%*
- *In FY 03-04, we will experience the second consecutive year of less than 1.0% AV growth, projected at 0.80%, with actual revenue expected to equal budgeted revenue of \$99.1 million*
- *Sales tax revenue of \$30.0 million exceeded budget by \$910,000 due to an additional ½ cent sales tax effective January 1, 2003*
- *All other revenue categories exceeded budget by \$2.7 million, comprised mostly of FEMA reimbursements for the December 2002 and February 2003 ice storms and taxes on utility companies*
- *Transfers in from other funds were \$3.3 million*
- ***Total resources of \$180.8 million were 93.1% of adopted budget of \$194.2 million (comprised of budgeted revenues of \$179.8 million and appropriated fund balance of \$14.4 million, including encumbrances)***

❖ **EXPENDITURES AND OTHER FINANCING USES**

- ***Expenditures were \$180.8 million or 93.1% of adopted budget of \$194.2 million***
- *transfers to other funds were \$411,000 less than budgeted*
- ❖ *Revenues/Financing Sources exceeded Expenditures/Financing Uses by only \$27,000*

❖ **FUND BALANCE**

- undesignated fund balance was maintained at 9%, however, the capital projects reserve was reduced from \$10.7 million to \$6.8 million, primarily due to an increase in fund balance appropriated to the FY 03-04 budget of \$938 thousand and an increase in the reserve for encumbrances of \$2.4 million for outstanding PO's at 6-30-03

- Available Fund Balance decreased from \$37.3 million or 20.1% of FY 02-03 budget to \$35.5 million or 18.3% of FY 03-04 budget, with \$10 million appropriated to FY 03-04 budget

Debt Service Fund

- ❖ **BOND RATINGS OBJECTIVE** - Maintain or improve the City's uninsured bond rating for the following three types of credit:

Standard & Poor's

General Obligation Bonds	Currently AAA	Target AAA
Certificates of Participation	Currently AA+	Target AA+
Enterprise System Revenue Bonds (revenue bonds upgraded June '03)	Currently AA+	Target AA+

Fitch IBCA

General Obligation Bonds (new rating January '03)	Currently AAA	Target AAA
Enterprise System Revenue Bonds (revenue bonds upgraded June '03)	Currently AA+	Target AA+

Moody's

General Obligation Bonds	Currently Aa1	Target Aaa
Certificates of Participation	Currently Aa2	Target Aa1
Enterprise System Revenue Bonds	Currently Aa3	Target Aa1

❖ **BOND RATING POLICIES**

- ◆ Maintain tax-supported Debt per Capita at \$1,000 or less
- ◆ Maintain tax-supported Debt Margin at 2% or less of the assessed property valuation (8% statutory maximum)
- ◆ Maintain variable portion of debt issued at approximately 20% of overall amount issued to proactively manage debt service expense.

❖ **REVENUES AND OTHER FINANCING SOURCES**

- *The Debt Service Fund is supported by interest income of the General Fund, Debt Service Fund and Capital Project Funds and an allocation of 7.75 cents of the property tax rate since FY 98-99*
- *These revenues are affected by volatility in interest rates and growth in the tax base/revenue from each cent on the tax rate*
- *Average rate of return has dropped from 4.0% in FY 01-02 to 3.5% in FY 02-03*
- *In conjunction with the scheduling of debt issues for capital projects, this budget approach has resulted in a stable tax rate for debt service costs and maintained debt service at less than 10% of combined General Fund & Debt Service Fund expenditures, while meeting capital project needs*

❖ **EXPENDITURES AND OTHER FINANCING USES**

- *Debt Service interest was \$2.6 million lower than budgeted in FY 02-03 due to (1) low rates of interest on \$34 million in variable rate GO debt and (2) refinancing of \$23 million GO bonds*
- *Early retirement of 1992 GO bonds with \$50,000 savings*
- *The City issues 20% of its debt variable rate and 80% fixed rate*
- *While fixed rate bonds (new and refunded) over the past ten years have averaged 5.00% or less, the City's variable rate bonds have averaged interest rates since 1995 as follows:*

Tax-exempt bonds: 3.05%
Taxable bonds; 4.73%

In 2003, the average rate was as follows:

Tax-exempt bonds: 1.00%
Taxable bonds; 1.21%

On December 1, 2003 rates were:

Tax-exempt bonds: 1.00%
Taxable bonds; 1.10%

- ❖ *Combined Available Fund Balance decreased from \$54.6 million or 26.4% of subsequent year's budget to \$51.6 million or 24.1% of subsequent year's budget*
- ❖ *No tax rate increase expected for Debt Service (currently 7.75 cent allocation) on 2000 Referendum bond projects of \$135,900,000*